

Message Text

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ORIGIN ARA-10

INFO OCT-01 IO-10 ISO-00 AGR-05 CIAE-00 COME-00 EB-07

INR-07 LAB-04 NSAE-00 SP-02 STR-01 TRSE-00 CIEP-01

FRB-03 OMB-01 L-02 /054 R

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EB/ORF/ICD/FTD: MR. SMITH
ARA/ECP: MR. DAVILA (INFO)

----- 060389

P R 062103Z MAR 75
FM SECSTATE WASHDC
TO AMEMBASSY BOGOTA PRIORITY
INFO USMISSION GENEVA

C O N F I D E N T I A L STATE 050622

E.O. 11652: GDS

TAGS: ETRD, CO

SUBJECT: MEMORANDUM FOR TEXTILE NEGOTIATIONS

REF; STATE 34376

GENEVA FOR PHELAN

1. MEMORANDUM ON TEXTILE NEGOTIATIONS FOR MINISTER
OF DEVELOPMENT RAMIREZ IS TRANSMITTED HEREWITH.

2. QUOTE

FOR MANY YEARS, IT HAS BEEN UNIVERSALLY RECOGNIZED THAT THE
TEXTILE SECTOR PRESENTS PARTICULARLY SENSITIVE AND
CRITICAL PROBLEMS, BOTH IN DOMESTIC AND INTERNATIONAL
TERMS, TO THE COUNTRIES INVOLVED. IT HAS BEEN REPEATEDLY
DEMONSTRATED THAT TEXTILES SIGNIFICANTLY IMPACT A
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COUNTRY ECONOMICALLY, SOCIALLY, AND POLITICALLY.

THE FIRST INTERNATIONAL ATTEMPTS TO BRING ORDER TO TRADE IN TEXTILES WERE THE SHORT TERM AND LONG TERM COTTON ARRANGEMENTS. WITH THE ADVENT OF MAN-MADE FIBERS AND THE CONCURRENT SIGNIFICANT INCREASES IN TEXTILE TRADE OVER THE PAST FEW YEARS, IT WAS AGREED THAT THE LTA WAS

INADEQUATE AND SHOULD BE REPLACED.

HENCE, UNDER THE AUSPICES OF THE GATT, INTERNATIONAL NEGOTIATIONS BEGAN IN 1972 AND CONCLUDED IN DECEMBER 1973 WITH A NEW MULTIFIBER ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES (MFA). THIS ARRANGEMENT ESTABLISHES A FRAMEWORK FOR INTERNATIONAL TEXTILE TRADE OF BENEFIT TO BOTH THE IMPORTING AND EXPORTING COUNTRIES. PARTICULAR EMPHASIS IN THE ARRANGEMENT IS GIVEN TO DEVELOPING COUNTRIES SO THAT THEY MIGHT BENEFIT FROM GREATER LIBERALIZATION AND ACCESS TO DEVELOPED COUNTRIES' MARKETS. THE UNITED STATES LED THE EFFORT IN THIS REGARD.

THERE APPEARS TO BE A GENERAL CONSENSUS AMONG PARTICIPANTS IN THE ARRANGEMENT'S NEGOTIATION, OF WHOM THERE WERE APPROXIMATELY 50, THAT THE NEW FRAMEWORK REPRESENTS A MAJOR STEP FORWARD IN LIBERALIZING INTERNATIONAL TRADE IN TEXTILES. FOR ITS PART, THE UNITED STATES IS NOW ENGAGED IN THE PROCESS OF IMPLEMENTING THE TERMS OF THE ARRANGEMENT, INCLUDING THE NEGOTIATION OF NEW BILATERAL AGREEMENTS AND THE RENEGOTIATION OF EXISTING BILATERAL AGREEMENTS.

THE UNITED STATES HAS ALWAYS PREFERRED TO NEGOTIATE TEXTILE AGREEMENTS BILATERALLY RATHER THAN TO TAKE UNILATERAL ACTION. THE REASONS ARE MANY BUT, SIMPLY PUT, IN OUR VIEW AND EXPERIENCE, UNILATERAL ACTIONS ARE MORE DISRUPTIVE TO THE EXPORTING COUNTRY'S TRADE (BOTH PRESENT AND PLANNED) AS WELL AS BEING IRRITANTS IN OUR BILATERAL RELATIONS. WE HAVE ALSO FOUND THAT NO TRADING PATTERNS OF ANY TWO EXPORTING COUNTRIES ARE ALIKE AND, THEREFORE, BILATERAL AGREEMENTS CAN BE

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TAILORED TO SUIT THE NEEDS AND PLANS OF THE INDIVIDUAL EXPORTING COUNTRY. THIS THE UNITED STATES HAS SOUGHT TO DO IN NEGOTIATING ITS BILATERAL AGREEMENTS UNDER THE NEW INTERNATIONAL ARRANGEMENT. TO DATE, A LARGE NUMBER OF SUCH BILATERALS ARE IN VARIOUS STAGES OF COMPLETION, AND THE EXPORTING COUNTRIES WITH WHOM WE HAVE NEGOTIATED BELIEVE THE UNITED STATES HAS SIGNIFICANTLY EXCEEDED THE REQUIREMENTS

OF THE ARRANGEMENT.

IN EVALUATING TEXTILE TRADE WITH THE UNITED STATES, THE EXPORTING COUNTRY MUST RECOGNIZE THAT THE U.S. TEXTILE INDUSTRY AND MARKET ARE BROADLY BASED, PERHAPS MORE SO THAN ANY OTHER IMPORTING COUNTRY. SECONDLY, THE UNITED STATES IMPORTS FROM APPROXIMATELY 100 COUNTRIES AND, HENCE, MUST TAKE INTO ACCOUNT THE CUMULATIVE EFFECT

OF SUCH IMPORTS ON ITS INDUSTRY AND DOMESTIC MARKET. AS A GENERAL PROPOSITION, THE UNITED STATES HAS CLEARLY DEMONSTRATED THAT IT FOSTERS THE MOVEMENT TOWARD FREER TRADE IN TEXTILES. SUCH A PROCESS, HOWEVER, CANNOT BE ACCOMPLISHED OVERNIGHT AS IT REQUIRES THE CONTINUED POLITICAL SUPPORT BASED UPON SOUND ECONOMIC GUIDANCE TO INSURE THAT THE EFFORT MAY BE MAINTAINED AND VIABLE. WE ASK THAT THESE CONSIDERATIONS BE RECOGNIZED BY OUR TRADING PARTNERS.

SINCE 1965, THE UNITED STATES AND COLOMBIA HAVE HAD A BILATERAL COTTON TEXTILE AGREEMENT UNDER THE LTA, A AGREEMENT WHICH WAS AMENDED AND EXTENDED IN 1968 AND AGAIN IN 1971. IN 1971, WHEN THE COTTON TEXTILE AGREEMENT WAS LAST NEGOTIATED, IMPORTS INTO THE UNITED STATES FROM COLOMBIA OF MAN-MADE FIBER AND WOOL TEXTILES TOTALED ABOUT ONE MILLION SQUARE YARDS. THIS COMPARES WITH IMPORTS OF TEXTILES OF THOSE FIBERS IN 1974 TOTALING NEARLY 28 MILLION SQUARE YARDS. THIS RATE OF INCREASE IS CAUSING CONCERN TO THE UNITED STATES.

WE BELIEVE COLOMBIA AND THE UNITED STATES NOW HAVE TWO OPTIONS: (1) THEY CAN NEGOTIATE A NEW, MULTIFIBER
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BILATERAL AGREEMENT WHICH WILL BE MUTUALLY SATISFACTORY IN ALL RESPECTS TO BOTH COUNTRIES OR (2) THEY CAN SIMPLY BRING THE COTTON TEXTILE AGREEMENT INTO CONFORMITY WITH THE ARRANGEMENT AND THE UNITED STATES CAN TAKE UNILATERAL ACTION UNDER ARTICLE 3 OF THE ARRANGEMENT ON SPECIFIC MAN-MADE FIBER AND WOOL TEXTILE AND APPAREL PRODUCTS.

THE UNITED STATES DOES NOT BELIEVE SUCH UNILATERAL ACTION UNDER ARTICLE 3 WOULD BE DESIRABLE FROM THE POINT OF VIEW OF EITHER COUNTRY. SUCH ACTION UNDER ARTICLE 3 WOULD TAKE CARE OF THE PROBLEMS OF MARKET DISRUPTION AND EQUITY AS FAR AS THE UNITED STATES WOULD BE CONCERNED, BUT THIS METHOD WOULD CREATE SERIOUS PROBLEMS FOR COLOMBIA.

FROM THE POINT OF VIEW OF COLOMBIA, ARTICLE 3 ACTION WOULD NOT ONLY BE DISRUPTIVE TO ITS PRESENT TRADE BUT WOULD ALSO GREATLY HAMPER ITS GROWTH POTENTIAL. IMPORTERS PREFER THE STABILITY OF AN AGREEMENT. THEY OFTEN WISH TO MAKE LONG-TERM PLANS OR COMMITMENTS WITH THE CERTAINTY THAT THESE PLANS CAN BE CARRIED OUT. THIS IS NOT POSSIBLE WHEN A COUNTRY IS OPERATING ON THE BASIS OF ARTICLE 3 SINCE THE IMPORTER CAN NEVER BE

SURE WHEN AN ARTICLE 3 ACTION WILL BE TAKEN BY THE IMPORTING COUNTRY ON A NON-CONTROLLED CATEGORY.

ON THE OTHER HAND, WITH A BILATERAL AGREEMENT, THE LEVELS ARE KNOWN, NOT ONLY FOR THE PRESENT BUT FOR THE LIFE OF AGREEMENT -- AN ELEMENT OF CONSIDERABLE ATTRACTION TO THE IMPORTERS. EQUALLY IMPORTANT, A BILATERAL AGREEMENT OFFERS A VERY LARGE DEGREE OF FLEXIBILITY BOTH IN TERMS OF INTERFIBER FLEXIBILITY AND THE FLEXIBILITY TO ADJUST TRADE TO MEET CHANGING MARKET CONDITIONS. SUCH FLEXIBILITY IS SIMPLY NOT AVAILABLE IN UNILATERAL, ARTICLE 3 ACTIONS.

FOR EXAMPLE, AS WE CONCEIVE OF A BILATERAL AGREEMENT WITH COLOMBIA, THERE WOULD BE ONE OVERALL AGGREGATE LEVEL AND UNDER THIS AGGREGATE, THREE GROUP LEVELS: A GROUP

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LEVEL FOR COTTON AND MAN-MADE FIBER NON-APPAREL, A GROUP LEVEL FOR COTTON AND MAN-MADE FIBER FIBER APPAREL, AND A GROUP LEVEL FOR WOOL TEXTILES AND APPAREL. EXCEPT FOR SPECIFIC CEILINGS ON FEW OF THE MOST SENSITIVE CATEGORIES, COLOMBIA WOULD BE PERMITTED TO EXPORT FREELY WITHIN A GROUP SUBJECT ONLY TO THE GROUP CEILING AND CONSULTATION LEVELS. IN ADDITION, THERE WOULD BE FLEXIBILITY AMONG THE THREE GROUPS AND AMONG THE SPECIFIC CEILINGS WITHIN EACH GROUP. PROVISIONS WOULD BE INCLUDED TO PERMIT CARRYOVER FROM SHORTFALLS OF THE PREVIOUS YEAR AND, WHERE DESIRED, BORROWING FROM THE LEVELS OF FUTURE YEARS. THIS TYPE OF STRUCTURE IS MOST PREFERRED BY EXPORTING COUNTRIES AS IT PERMITS LEVELS TO FILLED TO THE MAXIMUM EXTENT.

IN SUMMATION, THE CHOICE IS NOT BETWEEN TOTALLY UNRESTRICTED TEXTILE TRADE OR AN AGREEMENT, AS THE INTERNATIONAL ARRANGEMENT PROVIDES FOR ALTERNATE MEASURES WHICH AN IMPORTING COUNTRY CAN TAKE BOTH TO PREVENT MARKET DISRUPTION (OR THE THREAT THEREOF) AND TO ABIDE BY ITS EQUITY OBLIGATIONS UNDER THE

ARRANGEMENT. FOR EXAMPLE, IN EACH OF OUR BILATERAL AGREEMENTS, WE FORMALLY COMMIT OURSELVES TO EQUITY VIS-A-VIS THIRD COUNTRIES WHO ARE PARTICIPANTS IN OR WHO ABIDE BY THE MFA. WE TAKE THIS COMMITMENT MOST SERIOUSLY AND, THEREFORE, INTEND TAKING WHATEVER STEPS NECESSARY TO PROTECT THE INTERESTS OF ALL OUR TRADING PARTNERS WHOSE TEXTILE COMMERCE IS SUBJECT TO A BILATERAL AGREEMENT WITH THE UNITED STATES.

TO THE BEST OF OUR ABILITY, WE WOULD NEGOTIATE AN EQUITABLE AGREEMENT WITH COLOMBIA, ONE WHICH WOULD TAKE INTO CONSIDERATION ALL THE FACTORS MENTIONED ABOVE. CLEARLY, WE DO NOT INTEND ANY CUTBACK IN TRADE BUT, RATHER, THE DEVELOPMENT OF A FRAMEWORK WHICH WOULD INCREASE THE OPPORTUNITIES FOR ORDERLY TRADE BETWEEN COLOMBIA AND THE UNITED STATES WHILE, AT THE SAME TIME, PROTECTING THE UNITED STATES FROM DISRUPTIVE EFFECTS.

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END QUOTE.

3. BACKGROUND STATISTICAL INFORMATION (COLOMBIAN COTTON BILATERAL AGREEMENT PERFORMANCE FOR THIRD AND FOURTH AGREEMENT YEARS; U.S. IMPORT LEVELS OF MAN-MADES AND WOOL MANUFACTURES FOR 1972, 73, AND 74 FROM COLOMBIA) BEING AIR POUCHED. INGERSOLL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXTILES, TEXT, NEGOTIATIONS, DIPLOMATIC COMMUNICATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: buchant0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE050622
Document Source: CORE
Document Unique ID: 00
Drafter: JFMAISTO:JVM
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750079-0840
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750375/aaaacppt.tel
Line Count: 255
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 STATE 34376
Review Action: RELEASED, APPROVED
Review Authority: buchant0
Review Comment: n/a
Review Content Flags:
Review Date: 30 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 JUN 2003 by KelleyW0>; APPROVED <19 DEC 2003 by buchant0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MEMORANDUM FOR TEXTILE NEGOTIATIONS
TAGS: ETRD, CO, US
To: BOGOTA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006